

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 13275 01 OF 02 241801Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 STR-07 MMO-01 /118 W
-----041468 241831Z /75

R 241730Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0533
AMEMBASSY DUBLIN
INFO AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 13275

USOECD

USEEC

E.O. 11652: N/A
TAGS: OECD, ECON, EI
SUBJECT: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE
(EDRC): REVIEW OF IRELAND, APRIL 18

REF: (A) EDR(78)9; (B) PARIS 12136

1. SUMMARY: IRISH DELEGATION, HEADED BY CURRAN OF
FINANCE AND CLARKE OF PLANNING AND DEVELOPMENT, EMPLOYED
A STRONG DOSE OF IRISH DETERMINATION AND COMMITMENT TO
COUNTER AN EQUALLY STRONG OUTBREAK OF EDRC SKEPTICISM
THAT IRELAND'S MEDIUM-TERM PROGRAM IS ACHIEVABLE,
ESPECIALLY WITH THE POLICY INSTRUMENTS AVAILABLE TO THE
GOVERNMENT AND THE LACK OF A STRONG SOCIAL CONSENSUS
TO HOLD DOWN WAGE SETTLEMENTS. SINCE NEW GOVERNMENT
STILL IN EARLY STAGES OF DEVELOPING ITS MEDIUM-TERM
STRATEGY, IRISH DELEGATION COULD NOT FULLY ELABORATE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 13275 01 OF 02 241801Z

HOW OBJECTIVES WOULD BE ACHIEVED, BUT WAS ANXIOUS THAT
OECD SURVEY NOT BE TOO CRITICAL NOR ENDANGER EVOLUTION
OF SOCIAL CONSENSUS. COMMITTEE AGREED TO SOFTEN SOME
RECOMMENDATIONS AND NOT EXAGGERATE POTENTIAL HAZARDS
OF FAST GROWTH, BUT WARNED THAT IRISH WOULD NEED MORE
THAN CAREFUL MONITORING TO STAY ON FAST TRACK.
END SUMMARY

2' GENERAL APPROACH OF IRISH DELEGATION: IN REACTION TO THE SECRETARIAT'S ADMONITION CAUTIONING THAT IRISH 1977-1980 ECONOMIC PROGRAM WAS HIGHLY AMBITIOUS, THE IRISH DELEGATION EXPRESSED OPTIMISM AND DETERMINATION ARGUING THAT A BOLD APPROACH WAS NEEDED TO OVERCOME THE SERIOUS UNEMPLOYMENT PROBLEM WHICH THREATENED THE SOCIAL FABRIC OF THE NATION. DELEGATION, ESPECIALLY CLARKE, OUTLINED THE PROCESS FROM WHITE PAPER TO GREEN PAPER TO THE NATIONAL PLAN DURING WHICH THE GOVERNMENT HOPES TO CONSTRUCT THE SOCIAL CONSENSUS NECESSARY TO MAKE POSSIBLE ACHIEVEMENT OF THE HIGHLY AMBITIOUS PLAN, EVEN WITH WEAK INTERNATIONAL GROWTH. THEY URGED THE COMMITTEE NOT TO PUBLISH A REPORT WHICH WOULD THROW COLD WATER ON THE PROGRAM AND MAKE IT EVEN MORE DIFFICULT FOR THE GOVERNMENT TO OBTAIN THE NECESSARY SOCIAL CONSENSUS. THE DELEGATION ASSURED THE COMMITTEE THE GOVERNMENT WAS AWARE OF THE INFLATION AND BALANCE OF PAYMENTS DANGERS AND POTENTIAL CONSTRAINTS, BUT SAID THAT FAST GROWTH WAS ESSENTIAL TO OBTAIN UNION AGREEMENT TO WAGE RESTRAINT, WHICH IN TURN WAS ESSENTIAL TO BRINGING DOWN THE INFLATION RATE AND MAINTAINING THE COMPETITIVENESS OF IRISH PRODUCTS. THE DELEGATION DREW TO THE ATTENTION OF THE COMMITTEE THE PAIN UNDERGONE BY THE IRISH ECONOMY AS A RESULT OF IRELAND'S CONSCIENCE POLICY TO OPEN ITSELF UP TO INTERNATIONAL COMPETITION, A DECISION WHICH CAUSED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 13275 01 OF 02 241801Z

AN EMPLOYMENT HEMORRHAGE, BUT HAS CONTRIBUTED TO A SUBSTANTIAL INCREASE IN THE STANDARD OF LIVING. THE ONGOING STRUCTURAL ADJUSTMENT INCLUDING THE ATTRACTION OF HIGH PRODUCTIVITY INDUSTRY IS AN ESSENTIAL PART OF ADJUSTING TO THE RIGORS OF INTERNATIONAL COMPETITION, IRISH AUTHORITIES BELIEVE.

3. DOMESTIC ECONOMY: THE IRISH DELEGATION ARGUED THAT 1977 AND 1978 WILL PROVIDE A CONSTRUCTIVE BASIS FOR LAUNCHING THE MEDIUM-TERM STRATEGY. SPECIFICALLY, THE 1978 NATIONAL PAY AGREEMENT IS FELT TO BE BROADLY IN LINE WITH THE GOVERNMENT PROGRAM, PROVIDED BASIS FOR A REDUCTION IN INFLATION IN 1978, WHICH IN TURN WOULD ALLOW EVEN MORE MODERATE PAY AGREEMENTS IN THE FUTURE. TAX ADJUSTMENTS IN 1978 ALSO INTENDED TO HELP BOOST PROFITABILITY. IRISH DELEGATION ARGUED THAT NUMEROUS INTERNATIONAL LINKAGES OF IRISH FIRMS GUARANTEE SUFFICIENT INVESTMENT FUNDS EVEN IF THE GOVERNMENT RUNS A LARGE DEFICIT. ON EMPLOYMENT, THE DELEGATION AGREED IRISH

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 13275 02 OF 02 241758Z

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08

EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 ICA-11

OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00

OMB-01 SS-15 STR-07 MMO-01 /118 W

-----041448 241830Z /75

R 241730Z APR 78

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0534

AMEMBASSY DUBLIN

INFO AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 02 PARIS 13275

USOECD

STATISTICS WERE PARTICULARLY WEAK. THEY ESTIMATED UNEMPLOYMENT PRESENTLY AT 2-3 PERCENTAGE POINTS ABOVE THE OFFICIAL UNEMPLOYMENT RATE (9.5 PERCENT), AND BROKE DOWN THE SUPPLY AND DEMAND FOR LABOR IN THE PROJECTIONS TO 1980 AS FOLLOWS: NEW JOB CREATION TO PROVIDE 13,000 JOBS IN INDUSTRY PER YEAR, 7,000 JOBS IN SERVICES PER YEAR AND 20,000 IN THE PUBLIC SECTOR IN 1978, THEN 4,000 PER YEAR AFTERWARDS. ON THE SUPPLY SIDE, IT IS ESTIMATED THAT THE LABOR FORCE GROWS BY 9,000 PER YEAR, WHICH IS SUBJECT TO UPWARD ADJUSTMENT (TO PERHAPS 11,000) SHOULD THE PARTICIPATION RATE INCREASE, PLUS 5,000 REDUNDANCIES PER YEAR. IRISH AUTHORITIES BELIEVE THAT THEIR PLAN WILL ABSORB 16,000 OF THE CURRENTLY UNEMPLOYED PER YEAR THROUGH 1980.

4. EXTERNAL SECTOR: THE IRISH DELEGATION STATED THAT THE BALANCE OF PAYMENTS DEFICIT WAS NOT A CONSTRAINT TO PRESENT POLICY-MAKING, ALTHOUGH THE POSSIBILITY EXISTED FOR THE FUTURE. UNUSUALLY HIGH FOREIGN EXCHANGE RESERVES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 13275 02 OF 02 241758Z

AND EXPECTED RESOURCES FROM THE EC MAKE POSSIBLE SUPPORTING LARGER-THAN-USUAL DEFICITS FOR SOME PERIOD. IRISH AUTHORITIES FEEL FOR THE PRESENT THAT THE ONE-TO-ONE EXCHANGE RATE LINK WITH THE POUND STERLING IS ADVANTAGEOUS TO IRELAND, BUT THAT LINKAGE IS UNDER CONSTANT REVIEW. IRISH DELEGATION STATED THAT IRISH BUSINESS DID NOT SEE PRICE COMPETITIVENESS AS A PRESENT PROBLEM, BUT FELT A NEED FOR MORE EFFECTIVE MARKETING EFFORT.

3. ECONOMIC POLICY: SEVERAL DELEGATES ASKED WHY THE 1978 BUDGET WAS SO EXTREME WHEN THINGS SEEMED TO BE GOING REASONABLY WELL IN 1977. IRISH DELEGATION REPLIED THAT THINGS WERE NOT GOING AT ALL WELL, THAT UNEMPLOYMENT WAS AT TOTALLY UNACCEPTABLE LEVELS. THE 1978 BUDGET WAS DESIGNED TO KICK OFF A MEDIUM-TERM PROGRAM AND WAS, THEREFORE, TO PROVIDE A STIMULUS WHICH OBVIOUSLY COULD NOT BE SUSTAINED IN THE LONGER TERM. THEY, THEREFORE, AGREED WITH THE SECRETARIAT THAT GOVERNMENT FINANCING NEEDS MUST DECREASE OVER THE PERIOD TO 1980 AS PRIVATE SECTOR TOOK OVER IN STIMULATING GROWTH. THEY DID NOT ACCEPT SECRETARIAT RECOMMENDATION THAT A REDUCTION IN THE RATE OF GROWTH OF CONSUMPTION WOULD BE USEFUL. IN FACT, IRISH DELEGATION FELT THIS RECOMMENDATION TAKEN WITH SECRETARIAT'S OBSERVATION THAT CREDIT WOULD BE SCARCE IN NEAR FUTURE WOULD SOUND THE DEATH KNEEL FOR GOVERNMENT ATTEMPTS TO STIMULATE THE PRIVATE ECONOMY. CENTRAL BANK REP TOLD THE COMMITTEE THAT MONETARY AGGREGATES WERE BEHAVING APPROPRIATELY AND THAT IN ANY CASE, ATTENTION TO AGGREGATES WAS A LUXURY TO A SMALL, OPEN ECONOMY WHICH INSTEAD HAD TO BE CONCERNED WITH LEVEL OF INTERNATIONAL RESERVES AND THE ADEQUACY OF DOMESTIC CREDIT. ON INDUSTRIAL POLICY, THE IRISH SAID THAT GOVERNMENT HAS FOR SOME TIME BEEN DOING EVERYTHING FEASIBLE TO ASSIST TRAILIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 13275 02 OF 02 241758Z

DITIONAL INDUSTRIES AND THAT THE MAJOR PROBLEMS WERE WITH INEFFICIENT FIRMS NOT ENTIRE SECTORS. THEY FELT THE SECRETARIAT'S RECOMMENDATION FOR INCREASED SUPPORT TO TRADITIONAL INDUSTRIES INAPPROPRIATE AND POTENTIALLY HARMFUL AS IT WOULD RAISE PRESSURE IN IRELAND TO SHORE FAILING FIRMS. THE IRISH DELEGATION REJECTED SECRETARIAT'S CONTENTION THAT THE "NEW" INDUSTRIES WERE EXCESSIVELY CAPITAL-INTENSIVE AND SAID, IN ANY CASE, IRELAND REQUIRED TO ACCEPT WHATEVER INVESTMENT IT COULD GET AND SHOULD NOT QUARREL ABOUT TECHNOLOGY INVOLVED.

6. CONCLUSIONS: THE COMMITTEE WAS STRUCK BY THE DEDICATION OF THE IRISH DELEGATION TO THE LONG-RUN STRUGGLE TO IMPROVE THE EMPLOYMENT SITUATION. IT WAS FELT THAT CONCERTED ACTION ON GROWTH, PARTICULARLY THE EC, WOULD

BE AN ESSENTIAL FACTOR FOR IRELAND TO REACH HER OBJECTIVES. EDRC, HOWEVER, WAS DOUBTFUL THAT NECESSARY SOCIAL CONSENSUS AND POLICY INSTRUMENTS WERE IN PLACE TO UNDERTAKE SUCH AN AMBITIOUS MEDIUM-TERM PROGRAM. IRISH DELEGATION INSISTED THAT OECD SURVEY MUST BE CONSTRUCTIVE AND NOT INCLUDE WARNINGS AND RECOMMENDATIONS THAT WOULD ENDANGER POLITICAL ACCEPTANCE OF THE ECONOMIC PROGRAM. COMMITTEE AGREED TO SOFTEN SOME OF THE WARNINGS AND RECOMMENDATIONS, BUT FELT BASIC MESSAGE SHOULD REMAIN, NAMELY THAT OBJECTIVES ARE AMBITIOUS PARTICULARLY GIVEN CONCERN OVER ADEQUACY OF POLICY INSTRUMENTS.
SALZMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, REPORTS, COMMITTEES, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS13275
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780174-1146
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780424/aaaaatxs.tel
Line Count: 236
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 72c8c9a8-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 12136
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2870133
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE (EDRC): REVIEW OF IRELAND, APRIL 18
TAGS: ECON, EI, OECD, EDRC
To: STATE DUBLIN MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/72c8c9a8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014